

BILL # HB 2220

SPONSOR: Weiers J.

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TITLE: state equalization property tax repeal

STATUS: As Amended By House WM

FISCAL ANALYSIS

Description

The state equalization property tax (formerly known as the county equalization tax) defrays the state's cost of Basic State Aid to school districts.

In 2006, the county equalization tax rate was \$0.4190 per \$100 net assessed valuation (NAV). Laws 2006, Chapter 354 set the rate to \$0 for FY 2007, FY 2008, and FY 2009. In addition, the act renamed the county equalization tax rate as the state equalization property tax rate.

This bill would permanently repeal the state equalization property tax.

Estimated Impact

In the absence of the bill, reinstating the state equalization property tax would generate \$250 million in revenue and decrease General Fund expenditures by the same amount in FY 2010. Under the bill, the state would forego the revenue increase and the spending reduction.

Analysis

In the absence of the 3-year suspension of the state equalization property tax under Laws 2006, Chapter 354, it estimated that the tax would have generated \$215 million in FY 2007, \$228 million in FY 2008, and \$238 million in FY 2009. These estimates are based on the projected property value growth rates in the FY 2009 JLBC Baseline.

Under current law, the state equalization property tax is reinstated in FY 2010. At this time, it is projected that statewide primary NAV would have grown to \$73.6 billion and the state equalization property tax rate would be about 34¢. (Laws 2006, Chapter 354 requires that the state equalization property tax is adjusted for truth-in-taxation (TNT) during the 3-year suspension period, so that when the rate is re-established in FY 2010, it will reflect the growth in existing property values in the intervening years.) Under this projection, the state equalization property tax would generate \$250 million in FY 2010. Since this bill would permanently repeal the state equalization property tax, the General Fund would have to "backfill" the same amount under the K-12 funding formula.

Local Government Impact

None.